Brussels, 10 February 2012

Statement by Michel Barnier on future european rules for pension funds

To be clear: I have never said or suggested that pension funds should be subject to exactly the same rules as Solvency II.

If that had been the Commission's intention, we would have proposed this back in 2007 when we presented the Solvency II Directive.

The Commission did not do so for very good reasons.

In a few days, the Commission will adopt a White Paper on pensions. It will deal comprehensively with all the complicated issues we must face up to in Europe with an ageing population and the impacts that will have for all our pensions.

The White Paper will contain a number of initiatives, and amongst those, it will confirm the Commission's intention to review the so-called IORP Directive which deals with occupational pensions. This is necessary as the current rules for pension funds refer to the old solvency regime for life insurers which will be repealed by Solvency II.

Why do I think we need to review existing rules for pension funds?

- because we need to ensure that consumers who take out pension funds are properly protected and are guaranteed that the pensions funds they put their money in are robust and will be able to pay out, when the right time comes;
- because strong occupational pensions are essential for long-term fiscal sustainability. This is particularly important in a context where the European population is ageing quickly;
- because we need to strengthen the Single Market for occupational retirement provision, and make it easier for providers to offer pension products across Europe. This will mean more choice for consumers.

The proposals I will make before the end of the year will be based on in depth impact assessments.

In no way do I want to take actions which could undermine the supply of occupational pension provision.

We need pension funds to continue playing their role as long-term investors, as this is essential for long-term jobs and growth.

I am well aware we cannot ask companies in the EU, notably SMEs, to lock up capital in their pension funds. Companies need access to finance to grow and compete in global markets.

And I am also well aware that pension funds in different Member States have different features, and I don't want to penalise well functioning systems.

That is why our review of the IORP Directive will be done in such a way that it supports Europe's growth potential.

I am aware that there is a lot of concern about the introduction of risk-based solvency rules for pension funds. We will inspire ourselves from the Solvency II approach when appropriate but that does not mean we will "copy and paste" Solvency II. I repeat: I want to maintain a level playing field within the Single Market. This means it is important that the same products and activities are subject to the same requirements, regardless of the structure of the provider. But it does not mean I will propose the extension of Solvency II as such to pension funds.

I have seen various estimates of the impact of Solvency II on pension funds. These make no sense at all because we wont copy and paste Solvency II into pension funds.

What we will do is do our preparatory work seriously, analysing costs and benefits of all options. There will be a number of steps in the preparatory phases: The Commission will soon receive EIOPA's (the European supervisory authority for insurance and pensions) technical advice on the review of the IORP Directive. I will then host a Public Hearing to discuss this advice on 1 March in Brussels. EIOPA will then carry out a quantitative impact study. This study will be essential to estimate appropriately the costs and benefits of various proposals, and it will be used when the Commission makes its own proposals.